



Instructions for 2017 Beginning Farmer Tax Credit Application

Application Deadline: September 1, 2017

2017 Application Deadlines – For Leases Beginning in 2017

1. **July 1, 2017:** an additional \$100 application fee will be charged
2. **September 1, 2017:** Final Deadline. No applications will be accepted after September 1, 2017
3. **January, 2018:** Applications for 2018 leases need to use the 2018 application forms - which will be posted on the IADD website in January, 2018.
4. If an application is withdrawn or denied, \$200 (\$300 after July 1) of the application fee will be retained by IADD and not returned.
5. **Incomplete applications will have 45 days to correct and/or submit all missing documents. After that time, the application will be considered withdrawn.**
6. Mail all application materials to: **IADD
PO Box 7
Adel, IA 50003**
6. Email questions to Steve Ferguson: steve.ferguson@iowa.gov or call 515-725-4928

Asset Owner

1. If the agricultural asset owner is a partnership, LLC, corporation, estate, or trust:
 - a. One tax credit certificate will be issued to the federal tax id number of that entity.
 - b. The beginning farmer cannot have more than a 10% ownership interest in the leased asset. If the beginning farmer has **any** ownership interest in the leased asset, the tax credit will be reduced by the percentage of ownership the beginning farmer has in the entity.
 - c. The asset owner must provide written documentation demonstrating that the signer of the application and/or lease has the legal authorization to enter into the lease and submit the application. Such documentation could include: board minutes, power of attorney, trust documents, etc.
2. If the agricultural asset is owned by multiple individuals or by an entity that does not have its own tax id number or by a married couple that files their taxes separately, each owner must complete and sign the application. If the asset is owned jointly by a married couple that files their taxes jointly, only the taxpayer needs to complete the form.
3. If the lease is between parents/parents-in-law and child(ren), complete the Parent/Child Certification stating that all managerial and operational decisions will be done by the beginning farmer.
4. FSA 156 form must meet the following requirements:
 - a. Must be issued for the current crop year

- b. The name(s) of the asset owner(s) listed on the form must match the name(s) of the asset owner(s) on this application and on the lease.
 - c. If there are additional Operators/Other Producers listed on the 156 Form, provide an explanation of the other producer's current or past involvement on the farm. Specifically state whether or not the other producer is helping with the leased acres.
5. The asset owner cannot:
- a. Be at fault for terminating a prior lease to a beginning farmer.
 - b. Be a party to a pending administrative action, judicial action, or a contested case relating to an alleged violation involving an animal feeding operation regulated by the Iowa Department of Natural Resources.
 - c. Be classified as a habitual violator for a violation of state law involving an animal feeding operation as regulated by the Iowa Department of Natural Resources.
 - d. Terminate the lease if the beginning farmer has complied with all lease terms.

Beginning Farmer

1. The beginning farmer must be a resident of the state of Iowa.
2. The beginning farmer must be of low or moderate net worth. For **2017**, this is defined as having net worth less than **\$645,284**. A financial statement prepared with the assistance of a lender, CPA, FSA officer or other financial professional within 30 days of submission of the application must be submitted with the application. The financial statement must:
 - a. Clearly show the date prepared
 - b. Be signed by the beginning farmer, the financial professional and spouse if applicant is married.
 - c. Clearly list the name and title of financial professional that prepared and signed statement
 - d. If the beginning farmer is married, the assets and liabilities of the spouse must be included.
3. If the beginning farmer is part of a partnership, corporation or LLC, a financial statement for that entity is also required. It must also be signed by all parties or by a legal representative. A list of all owners of the entity and their percentage of ownership must be included with the application.
4. **The name(s) of the Operator/Other Producers listed on the FSA 156 form must match the name of the beginning farmer on this application and on the lease.**
5. If the beginning farmer is a veteran, include the DD 214 with the application.
6. **If the lease is between parents/parents-in-law and child, complete the Parent/Child Certification stating that all managerial and operational decisions will be made by the beginning farmer.**
7. The beginning farmer must complete the **Beginning Farmer Background Form**.
8. The beginning farmer must perform the duties required to operate the asset according to the lease. The beginning farmer cannot sub-lease to any other person or entity.
9. If the beginning farmer is found to be in violation of these requirements, a tax credit will not be issued and the matter will be referred to the Iowa Department of Revenue for potential administrative or judicial review.

10. An eligible beginning farmer will continue to be eligible for the term of the lease even if the beginning farmer's net worth increases to exceed the maximum net worth.

Acceptable Projects, Activities, Contracts

1. Eligible agricultural assets:

- a. Eligible assets to be leased include: agricultural land, buildings and depreciable property (machinery, equipment, and breeding livestock) used for farming purposes.
- b. The agricultural assets involved with the lease must be located in the state of Iowa.

2. Ineligible assets:

- a. The rental of a rural residence or subleased asset is not permitted. If a residence is part of the lease agreement, the lease value of the residence should be specifically identified so it can be excluded from tax credit calculations.
- b. The rental of farmland that is enrolled in CRP is not permitted. If CRP land is part of the lease agreement, the lease value of the CRP ground should be specifically identified so it can be excluded from tax credit calculations.
- c. Feeder cattle, feeder pigs, feeder lambs, feeder chickens or feeder turkeys do not qualify as depreciable property and are not eligible under the program. Other animals such as horses or those classified as exotic are eligible if they are a viable farming operation, are depreciable property under IRS code, and are not considered a hobby farm.

Requirements for Leases

1. There must be a written lease signed by both parties included with the application. It must be current and must specify:
 - a. Asset owner and tenant (**names on the lease must match those on the application and the FSA 156 form – including any spouses listed**).
 - b. The agricultural assets involved with the lease, the location of the property, the volume of the lease (i.e., number of acres, pieces of equipment, number of animals).
 - c. The specifications of payment under the lease.
2. The term of the lease must be a minimum of two years and a maximum of five years with specific starting and ending dates noted. The end of the lease year must allow sufficient time for the beginning farmer to harvest the crop.
3. Flex leases will be calculated only on a base cash rent (base rent must be listed in the lease) and will receive a 7% tax credit on the amount of the cash rent.
4. A crop share lease does not have to be the traditional 50/50 lease terms, but an explanation of why the asset owner will receive more than 50% must be explained in the Beginning Farmer Background Form.
The asset owner cannot receive more than 66% of the crop.
5. The amount of cash rent does not have to remain the same for the entire term of the lease but the actual cash rents must be specified in the lease agreement for each year.

6. Upon expiration of the lease, the asset owner and beginning farmer may re-apply.
7. A beginning farmer may have a lease with a family member.
8. The beginning farmer cannot have more than a 10% ownership interest in the asset being leased.

Changes to the Lease

1. **Change Request Forms** must be received no later than December 1 of the year of the requested change
2. Modifications to the original lease are allowed if:
 - a. There is a life changing event, (death or divorce).
 - b. Revised terms are beneficial for the beginning farmer tenant.
3. An IADD "Request to Adjust Lease Terms or Conditions" must be submitted and approved **prior** to any lease amendments becoming effective.
4. If the name of the asset owner changes, a signed Asset Owner application page, signed lease and 156 form will be required showing the change.
5. \$100 processing fee is required for all change requests except those due to death.

Lease Termination

1. An asset owner or beginning farmer may terminate a lease only if explained fully in the lease agreement.
2. The asset owner **and** beginning farmer must immediately notify the IADD of the termination so no further tax credits are issued. If the asset owner does not immediately notify the IADD of a termination, the asset owner shall be deemed at fault for the termination.
3. If the IADD determines the asset owner is not at fault for the termination, all prior tax credits are allowed.
4. If the IADD determines that the asset owner is at fault for the termination, any prior tax credits claimed will be recaptured and the amount of the tax credits claimed along with penalties and interest will be immediately due and payable to the Iowa Department of Revenue.

Tax Credits

1. A non-transferable tax credit certificate will be issued in January following the end of each crop year for each year of the lease. If the agricultural asset owner is a partnership, LLC, corporation, estate, or trust, only one tax credit certificate will be issued for the entity.
2. If the tax credit exceeds the amount of Iowa State income taxes owed, any excess credits can be used for up to ten years. To redeem the credit use State of Iowa Tax Form IA 148 – Tax Credit Schedule.
3. If an agricultural asset owner has multiple leases with qualified beginning farmers, they will receive one tax credit certificate that consolidates all of the respective lease tax credit amounts.
4. The total amount of Iowa income tax credits allowed per asset owner and/or application per year is \$50,000.

Calculating the Tax Credit Amount

1. Whether the lease is cash rent or a crop share, an additional 1% will be added in the first year only if the Beginning Farmer is a military veteran.

2. Cash Rent Lease

The agricultural asset owner will receive a tax credit equal to 7 percent of the rental income received.

Cash Rent Example – A beginning farmer leases 160 acres of crop ground for \$200 per acre for a total of \$32,000 in gross rental income. The tax credit is \$2,240 (\$32,000 x 7.00%).

3. Crop Share Lease

- a. The asset owner will receive a tax credit equal to 17% of the asset owner's share of the crop as calculated in the example below.
- b. All acres will be allocated with 50% to corn and 50% to soybeans – these will be the number of tillable acres consistently used for the entire term of this tax credit project.
- c. All tax credit calculations will be completed with the respective county's previous year's historical average T-yield data and the previous year's RMA Iowa fall price. This information will be posted on the IADD website. If farmland is located in multiple counties, the tax credit will be calculated using the T-yields for the county with the majority of acres.

Crop Share Lease Example – A beginning farmer leases 160 acres of crop ground on a 65/35 share basis with ½ acres allocated to corn and ½ acres to soybeans. Asset owner receives 65% of the crop:

Corn = 80 acres x 167 bu/acre x 65% x \$3.49 x 17% = \$5,152.22

Total corn crop is 13,360 bushels; owner's share is 8,684 bushels.

Soybeans = 80 acres x 48 bu/acre x 65% x \$9.75 x 17% = \$4,137.12

Total soybeans crop is 3,840 bushels; owner's share is 2,496 bushels.

Total share lease tax credit = \$9,289.34

4. Flex Lease Agreements

- a. Flex leases will be calculated only on a base cash rent
- b. They will receive a 7% tax credit on the amount of the cash rent.
- c. **No tax credit will be given on the flex lease bonus portion of the lease.**



2017 Beginning Farmer Tax Credit Application Checklist

Application deadline: September 1, 2017

The following attachments **MUST** be included with the Beginning Farmer Tax Credit application

- ☐ **Completed BFTC application, typed or printed.** Both the Asset Owner and the Beginning farmer must complete and sign the application.
- ☐ **Application Fee payable to the Iowa Agricultural Development Division (IADD)**

Cash Rent	Before July 1	After July 1
2 years	\$300	\$400
3 years	\$350	\$450
4 years	\$400	\$500
5 years	\$450	\$550

Crop Share	Before July 1	After July 1
2 years	\$400	\$500
3 years	\$500	\$600
4 years	\$600	\$700
5 years	\$700	\$800

- ☐ If lease is between parents/parents-in-law and child(ren) complete the Parent/Child Certification stating that all managerial and operational work will be done by the beginning farmer.
- ☐ Include a current financial statement showing the beginning farmer's current net worth. **For 2017, the beginning farmer's net worth cannot be more than \$645,284.** The financial statement must be:
 1. Completed within 30 days of submission of the application (date financial statement was prepared must be clearly shown).
 2. Completed with the assistance of a lender, CPA, FSA officer or other financial professional. Name and title of financial professional must be typed or printed on financial statement
 3. **Signed by applicant, spouse and financial professional.**
 4. If Beginning Farmer is married, finances of spouse must be included in the financial statement.

A financial statement is also required of any entity in which the beginning farmer has a financial interest. It must also meet the above criteria and be included in the beginning farmer's financial statement. A list of all owners and their percentage of ownership must be included with it.

- ☐ If Beginning Farmer is a military veteran, attach DD Form 214 or other documentation. An additional 1% tax credit is given the first year of the lease if the beginning farmer is a military veteran.
- ☐ Copy of the lease **signed** by both the asset owner and beginning farmer must be included.
- ☐ USDA FSA 156 Form for current crop year for all tracts and acres involved in the lease.
 - **The names on the FSA 156 form must match the name of the Asset Owner (Owner) and Beginning Farmer (Operator) on this application and on the lease.**
 - The location of the project in the lease must match the location on the 156 Form.
 - If the names or location on the 156 Form do not match, contact USDA to make the necessary changes or make changes to this application and/or lease so the names on all are the same.
 - If there are additional Operators/Other Producers listed on the 156 Form, provide an explanation of the other producer's current or past involvement on the farm. Specifically state whether or not the other producer is helping with the leased acres.

Questions: Call Steve Ferguson at 515-725-4928 or email IADD@iowa.gov

Mail all application materials and fee to address below



2017 Beginning Farmer Tax Credit Application

FOR IADD USE ONLY	
Project No:	_____
Fee Received:	_____
Date Received:	_____
Military Veteran	<input type="checkbox"/> YES <input type="checkbox"/> NO

**This page is completed by the ASSET OWNER
print or type all information**

To be completed if Asset owner is a C-Corp, S-Corp, LLC, Trust or Partnership with a Tax ID:

If none of these, skip this page and go to next page

Asset is owned by (choose one): ☐ C-Corp ☐ S-Corp ☐ LLC ☐ Trust ☐ Partnership

County where asset is located: _____ **If Crop Share, number of tillable acres:** _____

Is Beginning Farmer a part owner? ☐ Yes ☐ No **If Yes, a list of all owners and the % of ownership for each owner must be included with the application.**

Name of Asset owner/Business _____

Name of Asset owner MUST match name of landowner on FSA 156 Form

Name of primary contact person: _____

Address _____ **Telephone ()** _____

City _____ **State** _____ **Zip** _____

E-mail address _____

Applicant SSN or FEIN: _____

One tax credit certificate will be issued per entity

If lease is between parents and child(ren) complete the Parent/Child Certification stating that all managerial and operational work will be done by the beginning farmer.

CERTIFICATIONS OF ASSET OWNER

In submitting this application, I, the undersigned Agricultural Asset Owner, have read the following statements and hereby certify and agree that:

1. I currently own the asset being leased to the beginning farmer.
2. I am not a party to a pending administrative or judicial action relating to an alleged violation involving an animal feeding operation. I have not been classified as a habitual violator by the Dept. of Natural Resources or Attorney General.
3. The agricultural assets being leased are not rented at a rate which is substantially higher or lower than the market rate for similar agricultural assets leased or rented within the same community.
4. I understand that leases cannot be subleased to another person or lease cannot be canceled until lease expires.
5. I plan to retain the property for the term of the lease. I understand that the tax credit **cannot** be transferred or assumed by another person or entity and no person to whom the property is traded or otherwise transferred may obtain the benefits of the tax credit unless a **Request to Adjust Lease Terms or Conditions** is submitted and approved by the Authority.

CONFIDENTIAL TAX RELEASE OF INFORMATION

The undersigned is an applicant or recipient of a tax credit by the Iowa Agricultural Development Division (IADD) of the Iowa Finance Authority (IFA). The undersigned hereby authorizes IFA to provide Department of Revenue information on file pertinent to this tax certificate and for the Department of Revenue to provide IFA related information.

I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

If application is completed by a management company or other third party, I certify that I am legally authorized to sign on behalf of the asset owner.

Date

Signature of Asset Owner



2017 Beginning Farmer Tax Credit Application

FOR IADD USE ONLY
Project No: _____
Fee Received: _____
Date Received: _____
Military Veteran ☐ YES ☐ NO

**This page is completed by the ASSET OWNER
print or type all information**

**To be completed if Asset owner is an Individual, Joint ownership or Partnership
(without its own tax ID number) – each owner must complete this page separately:**

Name of Asset owner _____

County where asset is located: _____ If Crop Share, number of tillable acres: _____

Name of Asset owner **MUST** match name of landowner on FSA 156 Form

Name of primary contact person: _____ Spouse: _____

Address _____ Telephone (____) _____

City _____ State _____ Zip _____

E-mail address _____

Applicant SSN or FEIN: _____

Percentage of Ownership: _____

**If lease is between parents and child(ren) complete the Parent/Child Certification stating that all
managerial and operational work will be done by the beginning farmer.**

CERTIFICATIONS OF ASSET OWNER

In submitting this application, I, the undersigned Agricultural Asset Owner, have read the following statements and hereby certify and agree that:

1. I currently own the asset being leased to the beginning farmer.
2. I am not a party to a pending administrative or judicial action relating to an alleged violation involving an animal feeding operation. I have not been classified as a habitual violator by the Dept. of Natural Resources or Attorney General.
3. The agricultural assets being leased are not rented at a rate which is substantially higher or lower than the market rate for similar agricultural assets leased or rented within the same community.
4. I understand that leases cannot be subleased to another person or lease cannot be canceled until lease expires.
5. I plan to retain the property for the term of the lease. I understand that the tax credit **cannot** be transferred or assumed by another person or entity and no person to whom the property is traded or otherwise transferred may obtain the benefits of the tax credit unless a **Request to Adjust Lease Terms or Conditions** is submitted and approved by the Authority.

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I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

If application is completed by a management company or other third party, I certify that I am legally authorized to sign on behalf of the asset owner.

Date

Signature of Asset Owner

Date

Signature of Spouse if married filing separately

2017 Beginning Farmer Tax Credit Application



IOWA AGRICULTURAL
DEVELOPMENT DIVISION

To be completed by the **BEGINNING FARMER**
print or type all information

If more than one beginning farmer is on the lease, each one must complete this form, submit a current financial statement and complete the Beginning Farmer Background Form.

1. Name of beginning farmer _____ Spouse _____
Address _____ Telephone number (____) _____
City _____ State _____ Zip _____
E-mail address _____ Age of Beginning Farmer _____

2. Beginning Farmer's Type of Business:

Check which option you will operate in the lease which qualifies for the Beginning Farmer Tax Credit:

☐ Individual ☐ Joint ☐ Partnership ☐ C-Corp ☐ S-Corp ☐ LLC ☐ Trust

If incorporated, Name of Business: _____

- A financial statement is also required of any entity in which the beginning farmer has a financial interest; include names and ownership percentage of all owners of the entity.

3. Please indicate if you are leasing the "Project" from a related person: ☐ YES ☐ NO

If YES, please explain the relationship. _____

4. Do you own any % of the leased asset? ☐ YES ☐ NO If yes – what Percentage? _____

5. Are you a military veteran? (Provide DD Form 214 or other documentation) ☐ YES ☐ NO

CERTIFICATIONS OF BEGINNING FARMER

In submitting this application, I, the undersigned Beginning Farmer, have read the following statements and hereby certify and agree that:

1. I am a permanent resident of the state of Iowa and at least 18 years old at the time of this application.
2. I have sufficient education, training or experience for the type of farming required for this lease.
3. The Project shall be used only for farming by me and/or my co-applicant, and I/we will perform the labor and provide the management needed to operate the project for farming and I will not sub-lease.
4. I have or will have access to adequate working capital, farm equipment, machinery and/or livestock and land needed to operate the project for farming.

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The undersigned is an applicant of a tax credit by the Iowa Agricultural Development Division (IADD) of the Iowa Finance Authority (IFA). The undersigned hereby authorizes IFA to provide Department of Revenue information on file pertinent to this tax certificate and for the Department of Revenue to provide IFA related information.

I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

Date

Signature of Beginning Farmer

Beginning Farmer Background Form

Print Name of Beginning Farmer: _____

1. Describe your experience, training and/or education that will allow you to carry out the lease agreement: _____

2. Describe your relationship with your ag lender and the arrangement you have for working capital: _____

3. Explain your access to adequate machinery and equipment – do you own all the equipment you will need or do you have arrangements to lease or trade labor for equipment? _____

4. If asset owner is getting more than 50% of the crop on a crop share lease, please explain the breakdown of costs _____

Please provide any additional background information you would like to include: _____

Date

Signature of Beginning Farmer

2017 Beginning Farmer Tax Credit Application

Parent Child Certification



If the lease will be between a parent/parent-in-law and child or children, this form must be signed by both the parent as the asset owner and the child as beginning farmer.

We certify the following to be true:

1. The beginning farmer has the education, training and/or experience for the type of farming required for the lease.
2. The beginning farmer will make all operational and managerial decisions on the property covered by the lease
3. The beginning farmer will perform the labor necessary to fulfill the lease conditions.
4. The beginning farmer has access to working capital, farm equipment, machinery and/or livestock to fulfill the conditions of the leases.
5. The beginning farmer will be responsible for all financial expenses necessary to lease and manage the property.

The undersigned is an applicant or recipient of a tax credit by the Iowa Agricultural Development Division (IADD) of the Iowa Finance Authority (IFA).

I certify that the above information and all attachments are correct and true to the best of my knowledge. Furthermore, I agree to adhere to all rules and regulations of the Agricultural Assets Transfer Tax Credit Program.

Date

Signature of Asset Owner

Date

Signature of Beginning Farmer